

EXHIBITS FOR DISCUSSION ONLY

Value of YouTube to the music industry

High-Level Working Lunch

Value Creation, Streaming Video and the Music Industry

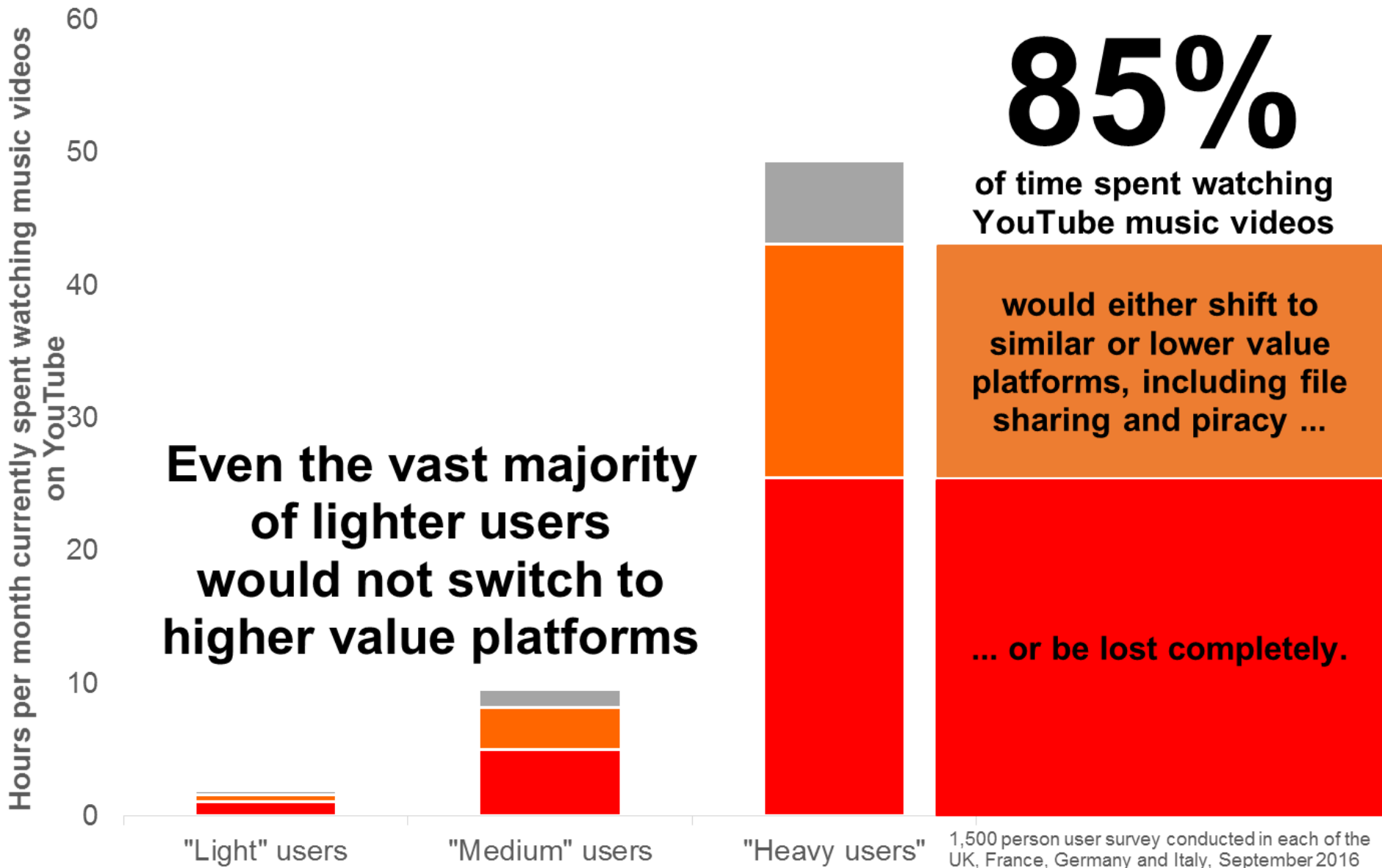
the Lisbon council

18 October 2017

Cannibalisation is unlikely

YouTube serves different users and a different purpose

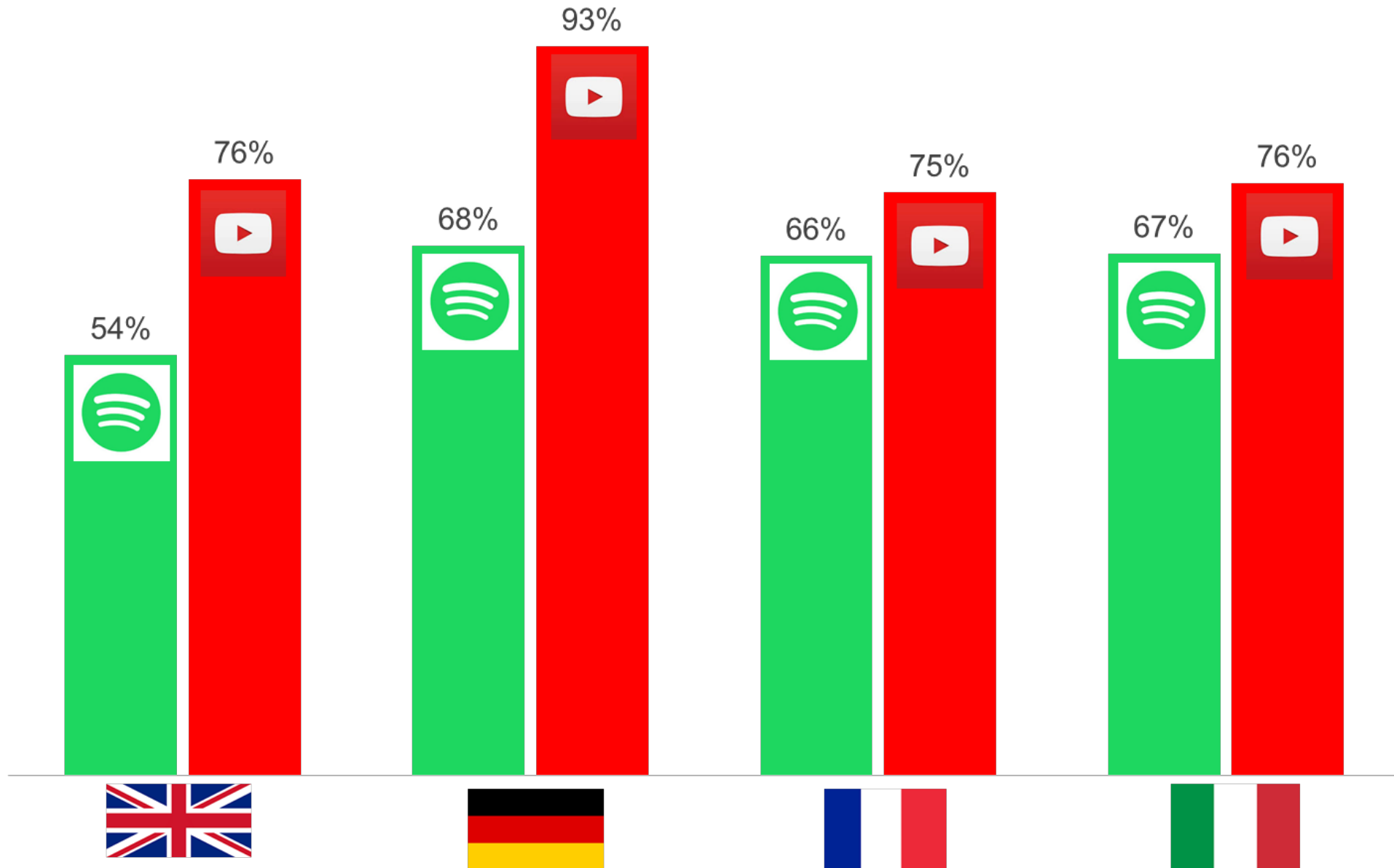
Cannibalisation is unlikely



Cannibalisation is unlikely:
YouTube supports different tracks

YouTube views tend to be older, less popular tracks

Share of streams or views from less popular tracks



Direct testing shows no
signs of cannibalisation

Clouds of confusion

Blocking music on YouTube has not had any significant effect in boosting demand for streaming services, such as Spotify.

When songs are blocked on YouTube, what happens to streaming volumes?

40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%

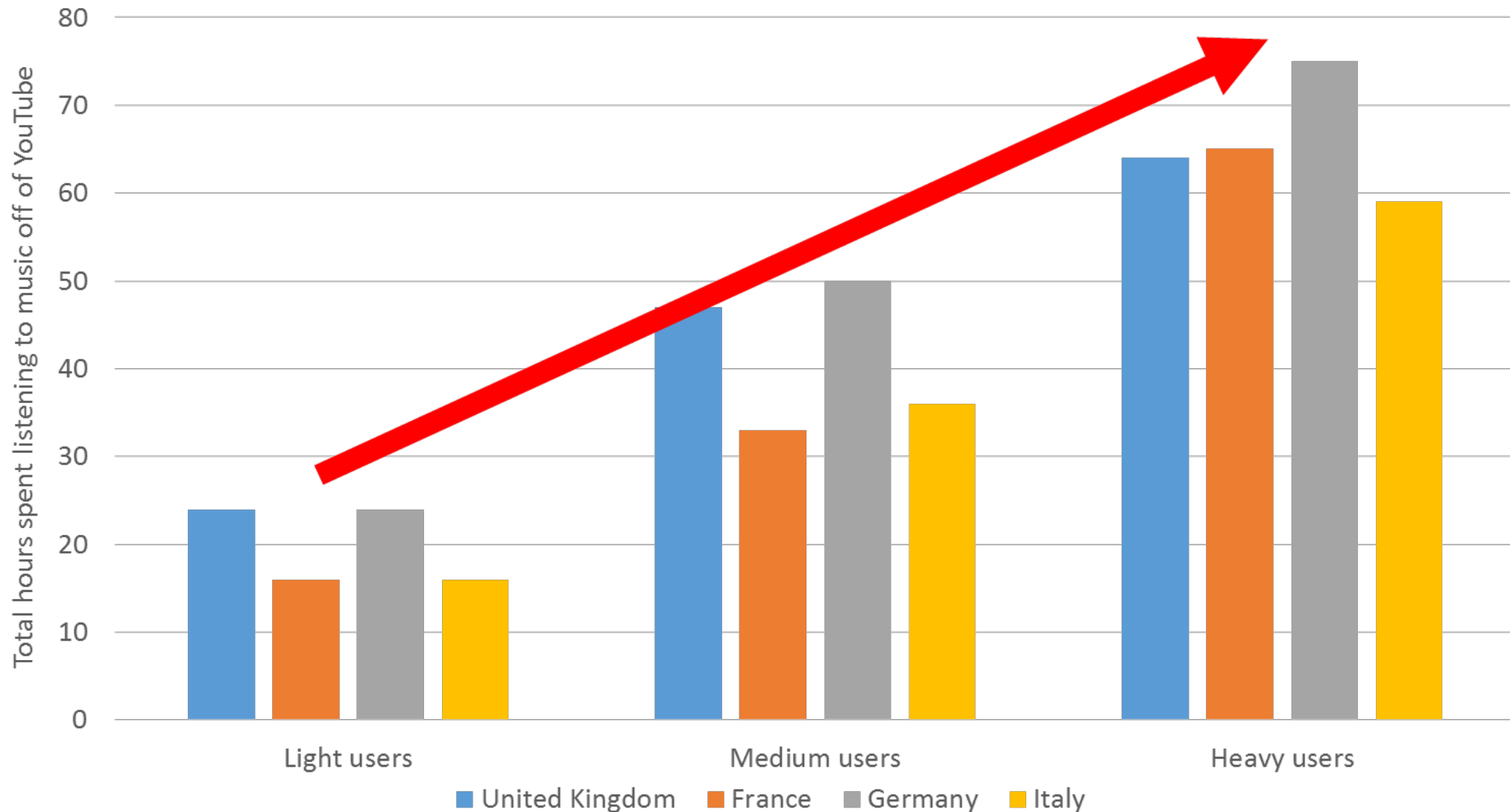
Sometimes blocking videos on YouTube is followed by an increase in streaming volumes

Sometimes blocking videos on YouTube is followed by a decrease in streaming volumes

RBB analysis of 108 songs blocked on YouTube, considering corresponding performance of streaming volumes in Germany, compared with performance of streaming volumes in the UK, France and Italy, for the same songs.

All signs point towards a
promotional effect

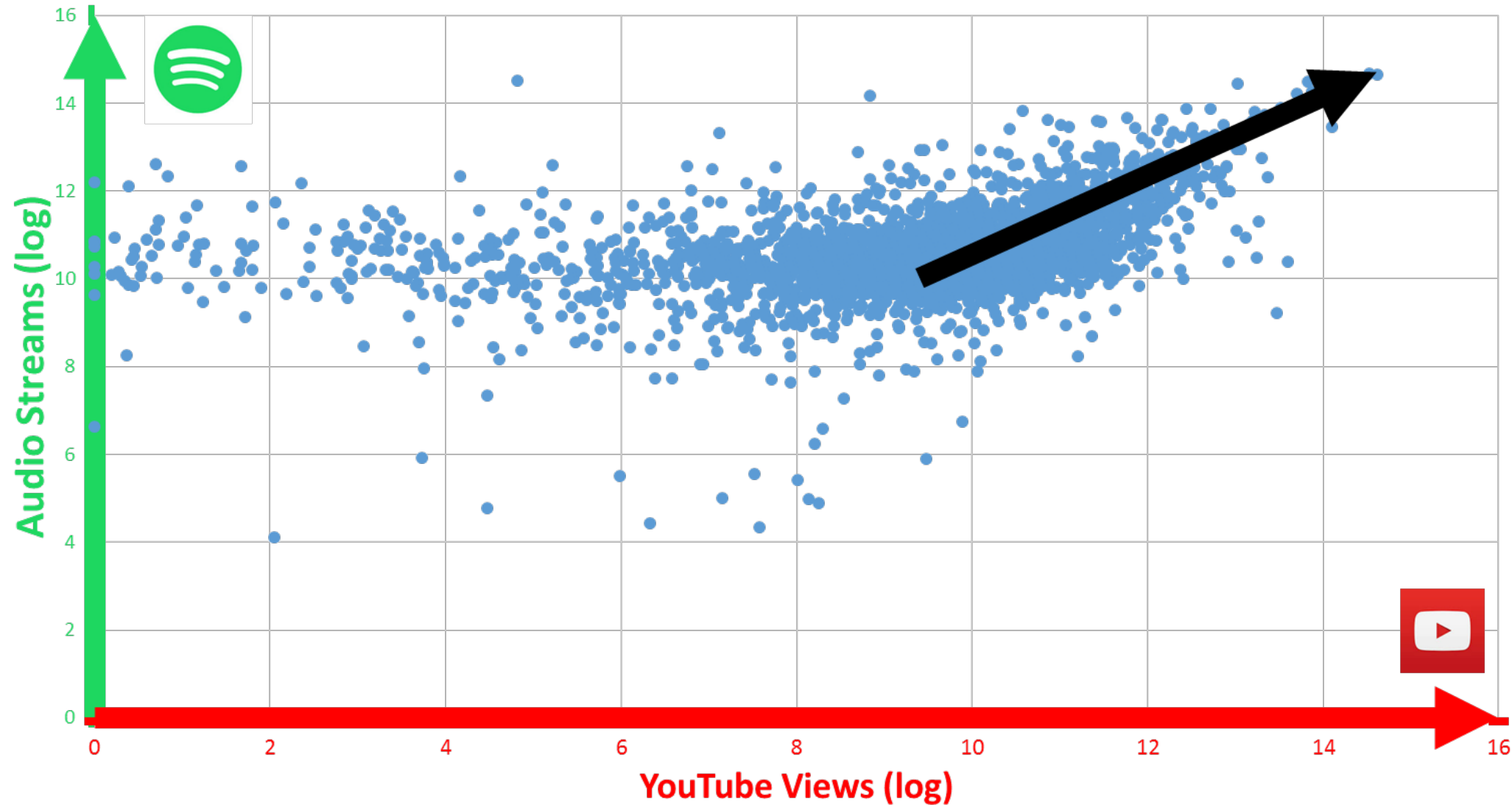
Users who spend more time listening to music on YouTube, also spend more time listening to music off of YouTube



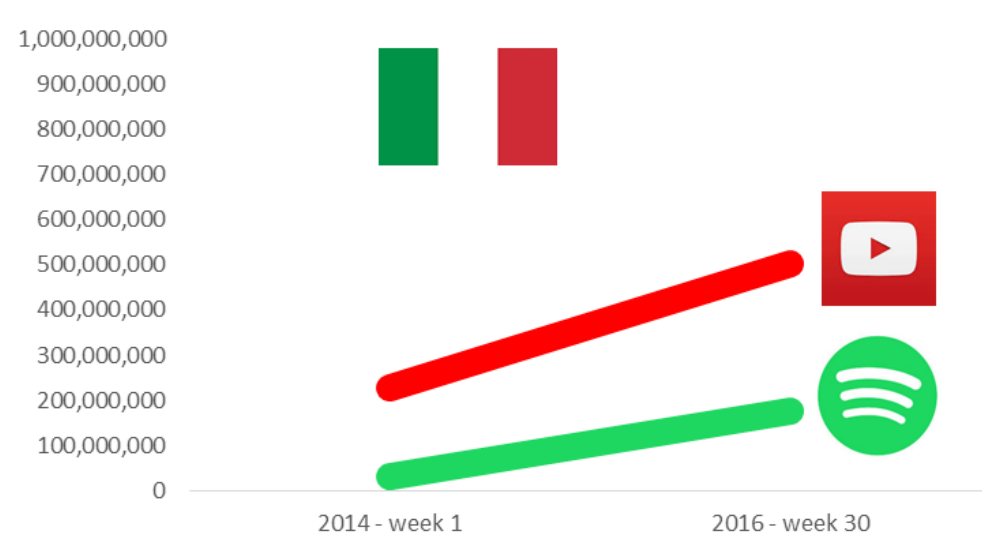
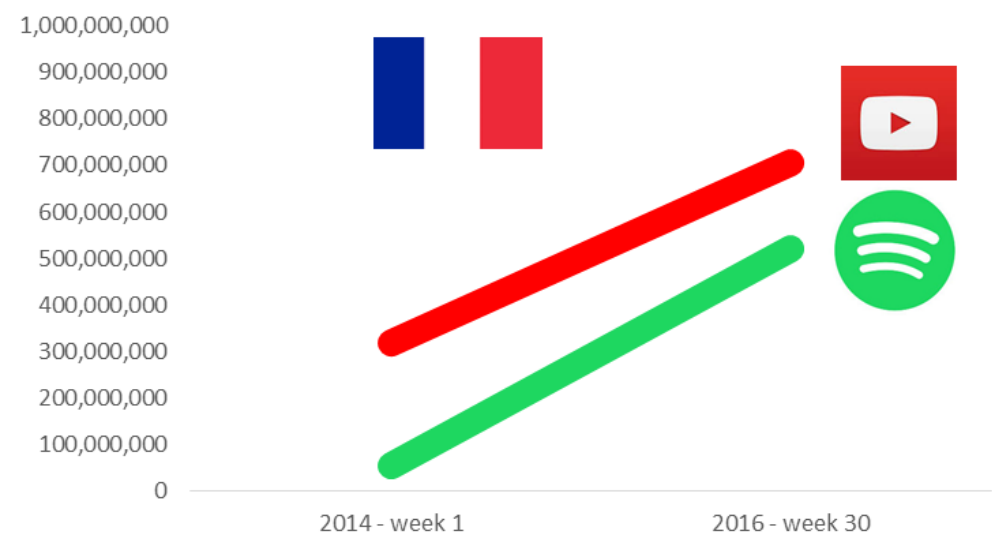
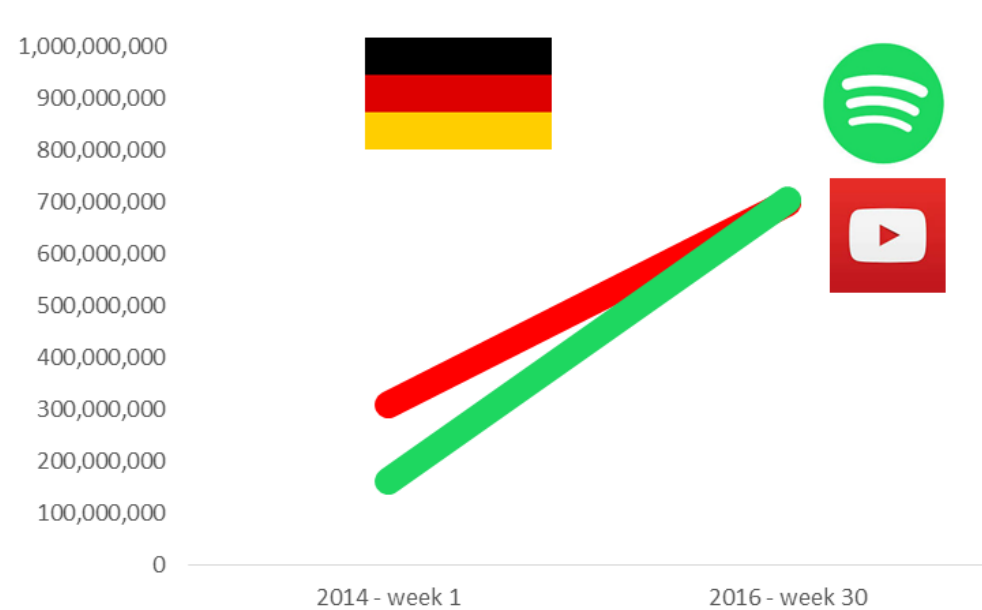
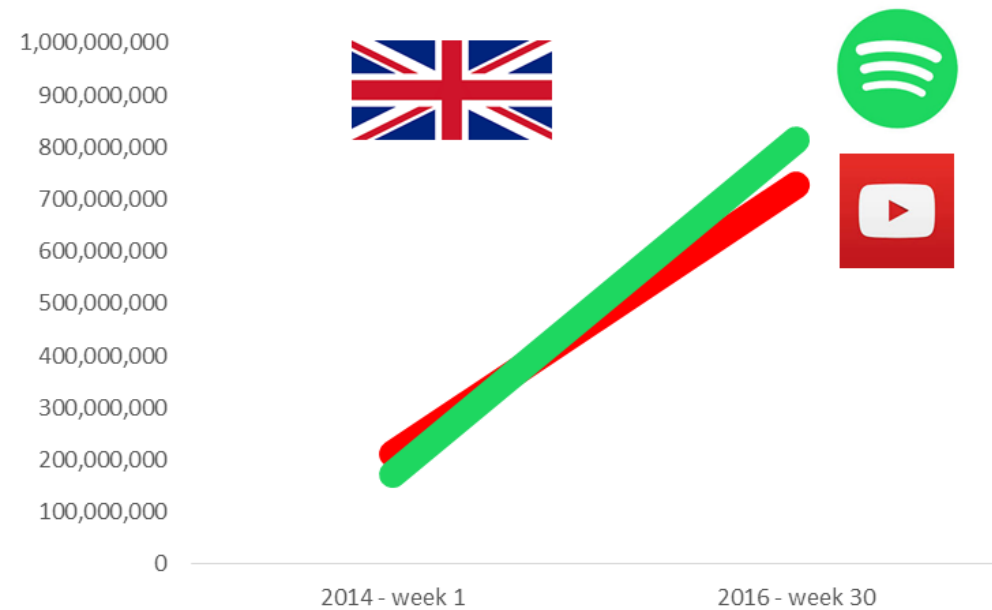
1,500 person user survey conducted in each of the UK, France, Germany and Italy, September 2016

YouTube views do not lead to lower streams

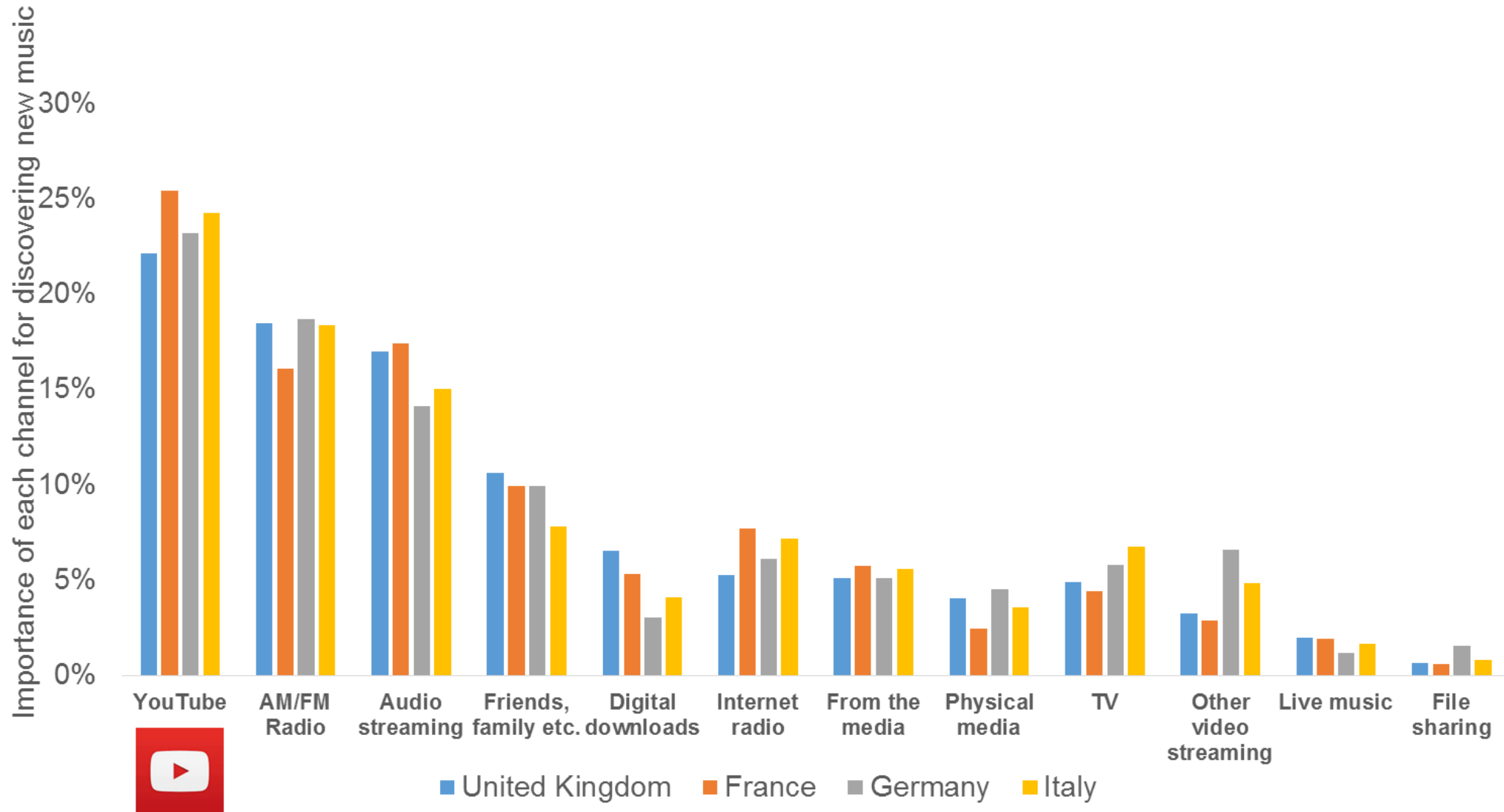
If anything, tracks that are viewed more often on YouTube are also streamed more often on audio platforms



Streams continue to grow rapidly, overtaking YouTube views in the UK and Germany

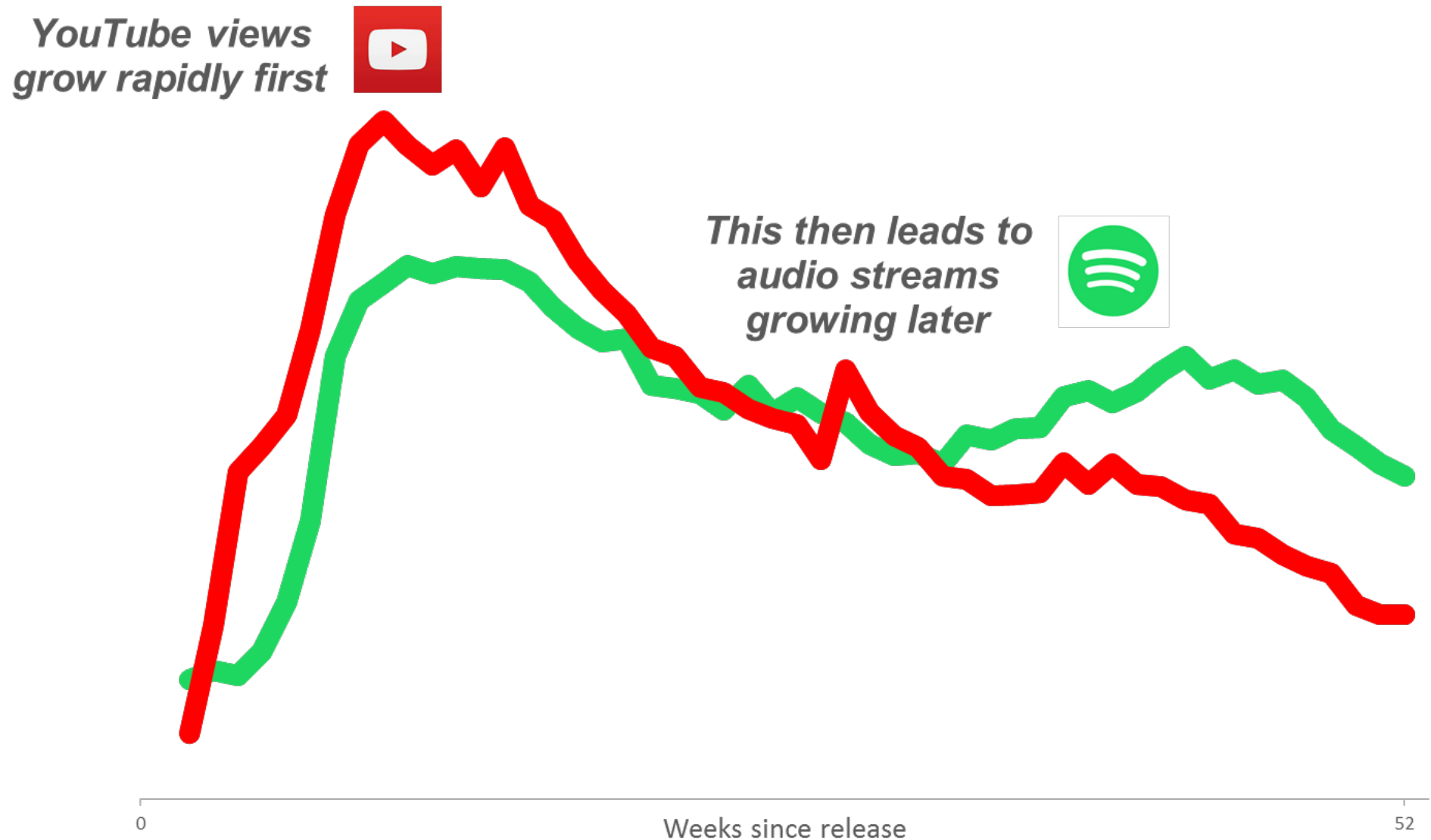


YouTube is the most important platform for discovering new music, amongst YouTube users



1,500 person user survey conducted in each of the UK, France, Germany and Italy, September 2016

YouTube views "lead" audio streams

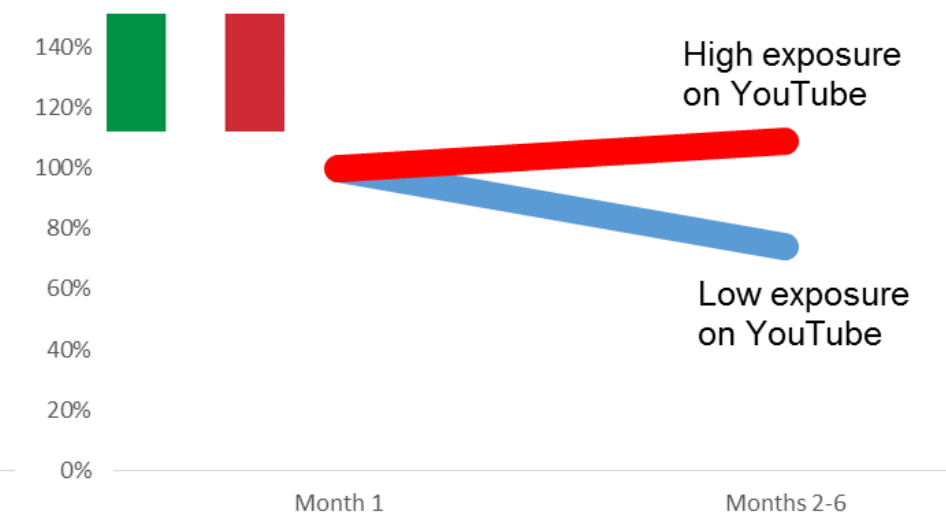
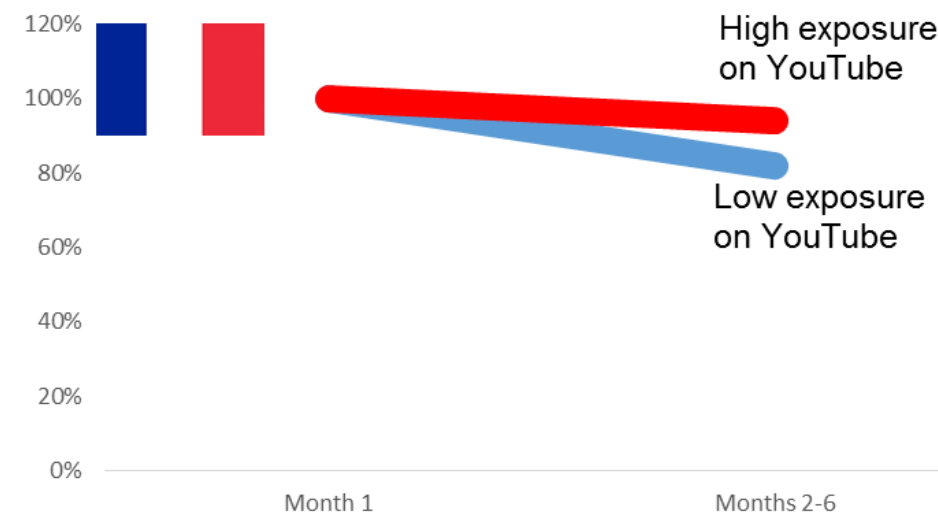
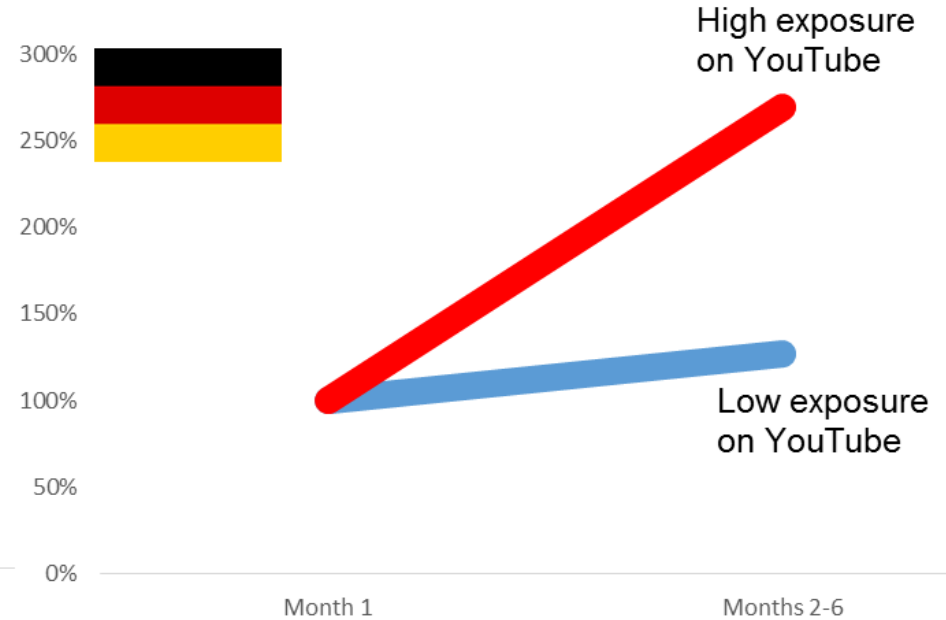
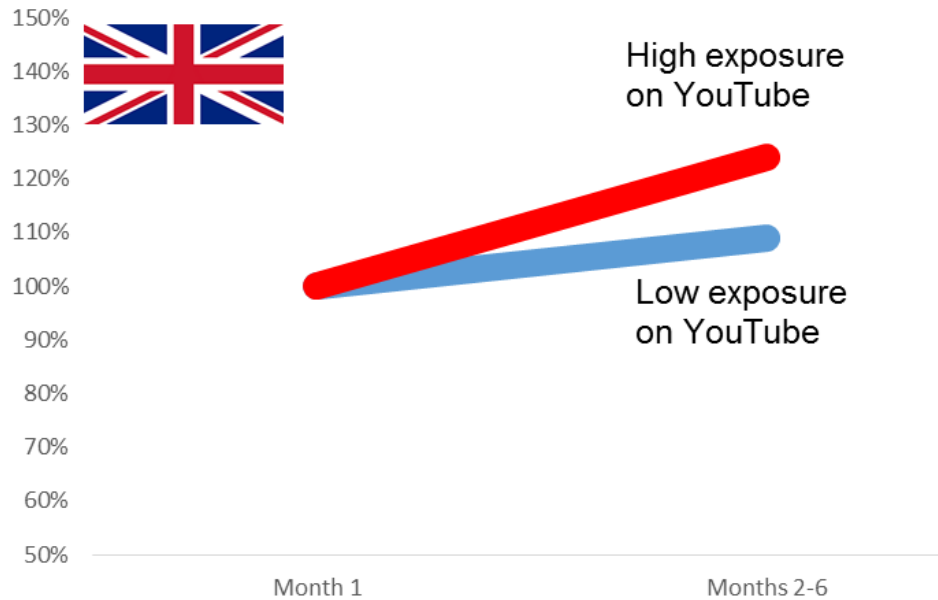


RBB analysis of top 5,000 tracks streamed in the UK. A similar figure was obtained for Germany. Statistical tests confirmed a leading relationship in each of the UK, Germany, France and Italy.

Direct testing confirms a
significant promotional
effect

Streams grow faster when tracks have higher exposure on YouTube

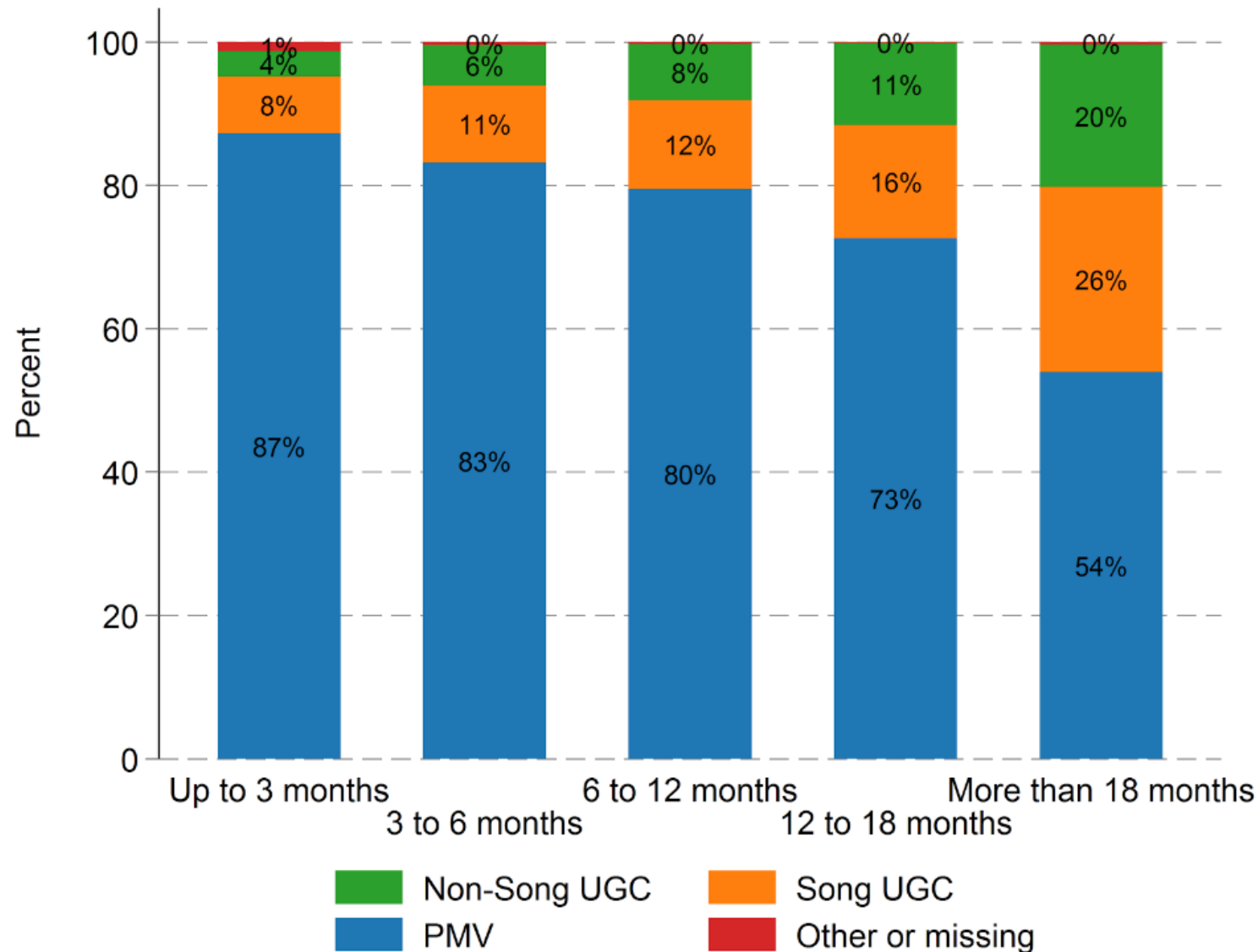
Streaming volumes in Months 2-6, compared to Month 1



Music videos generate
substantial revenues, and
Official PMV content is heavily
represented

The vast majority of new, popular music is official content

User generated content is also an important way for users to discover and consume music on YouTube



YouTube recommendations and playlists are important in driving consumption of music on YouTube, in particular for older, less popular music

